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MODERATING INFLUENCE OF CORPORATE GOVERNANCE ON ORGANIZATIONAL RESOURCES AND PERFORMANCE: EVIDENCE FROM REGIONAL DEVELOPMENT AUTHORITIES IN KENYA

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ABSTRACT

The objective of this study was to determine the influence of corporate governance on the relationship between organizational resources and performance of regional development authorities in Kenya. The specific objectives were to determine the influence of financial resources on the performance of regional development authorities in Kenya and establish the moderating effect of corporate governance on the relationship between financial resources and performance of regional development authorities in Kenya. The study was guided by resource based theory, dynamic capabilities theory and stewardship theory. The study adopted explanatory research design. The study was conducted in six regional development authorities that cover 47 counties. This includes Kerio Valley Development Authority, Ewaso Ngiro South Development Authority, Ewaso Ngiro North Development Authority, Coast Development Authority, Lake Basin Development Authority, Tana and Athi Rivers Development Authority. The targeted population was 169 comprising of chief managers, managers, heads of department and chief accountant. The study used stratified random sampling to select 118. Primary data was collected using structured questionnaires and interview schedules. Pilot study was conducted to test validity and reliability of research instruments. Validity was ascertained using content and construct validity while reliability using Cronbach alpha. Quantitative data was analyzed using STATA version 15. Model estimation and hypotheses testing adopted Structural Equation Modeling using AMOS version 23. Path diagram was used to establish the interrelationship between organization resources and performance via corporate governance. The null hypotheses were tested at 5% significance level. The findings revealed that corporate governance has significant moderating influence on the relationship between organizational resources and performance. Structural Equation Modeling (SEM) supported three paths corporate governance and organizational resources, corporate governance and performance as well as organizational resources and performance of RDA. Therefore, the study concluded that corporate governance is significant moderator between organizational resources and performance of regional development authorities. The study recommended that regional development authorities ought to reduce overdependence on exchequer to resources but generate their own financial resources. The study also recommended that board should be diverse in terms of gender, relevant industry experience and independent board member from the management.

Keyword: *Technological Resources, Corporate Governance, Performance, Regional Development Authorities*

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INTRODUCTION

Corporate Governance can be conceptualized as a set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered or controlled, and its purpose is to influence directly or indirectly the behavior of the organization towards its stakeholders (Dignam & Lowry, 2016). Corporate Governance comprises a country's private and public institutions (both formal and informal) which together govern the relationship between the people who manage corporations (corporate insiders) and all others who invest resources in corporations in the country (Jacoby, 2018). Accordingly, Corporate Governance involves a set of relationships between a company's management, its board, its shareholders, and other stakeholders. The definition of corporate differs depending on one's view of the world. However, Ramon (2001), states that differences in culture, legal systems and historical developments from country to country make it difficult to identify one definition of corporate governance. Many existing studies in good corporate governance have focused on the independence of the board of directors (Huang, 2010), the role, independence and disclosure of audit committee (Davidson, Goodwin-Stewart & Kent, 2015), the enforcement of compliance and role of internal auditors (Vinten & Mardjono, 2015).

It also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined (OECD, 2004). Sarbah and Xiao (2015) asserted that good Corporate Governance increases valuations and boosts the bottom line of corporations. Claessens and Yurtoglu (2013) also maintain that better corporate frameworks benefit firms through greater access to financing, lower cost of capital, better performance and more favorable treatment of all stakeholders. Agrawal, (2012), investigated the relationship between Corporate Governance and performance showed mixed results without a clear cut relationship.

The lack of homogeneity in the results of previous studies suggests that the relationships between organizational resource and corporate performance are complex and very probably moderated or mediated by factors (Paulraj, 2011). The use of corporate governance in relation to organization resources and performance has continued to get adequate recommendation although few of the previous studies have included it. In Tanzania, Sebastian (2018) revealed that informal organizational resources lead to weak profits. Aliyu et al (2014) indicated that deterioration in performance is related with resource management and corporate governance in Nigeria. Corporate governance has also been successfully used as moderating variable on the performance. Muturi, Mwau and Oloko (2017) indicated that moderating effect of the ownership structure have a positive effect on the performance of firms in insurance industry in Kenya. Love and Rachinsky, (2015) in their study on Indian firms established that there is a negative relationship between corporate governance and firm performance. These contradictions in findings create aspersions as to whether corporate governance impacts performance of State owned corporations in Kenya.

The GoK established 6 Regional Development Authorities (RDAs) through various Acts of Parliament. The areas of jurisdiction covered by the RDAs were developed based on the river basin boundaries in the country. They include: Kerio Valley Development Authority (KVDA) established under Cap 441 of 1979, Lake Basin Development Authority (LBDA) under Cap 442 of 1979, Ewaso Nyiro South Development Authority (ENSDA) under Cap 447 of 1989, Ewaso Nyiro North Development Authority (ENNDA) under Cap 448 of 1989, Tana and Athi Rivers Development Authority (TARDA) under Cap 443 of 1974, and Coast Development Authority (CDA) under Cap 449 of 1990 (MORDA, 2008).

The mandate of these agencies was to map the resources in the area for proper planning and coordination of their use, integrated basin based

development, protection of river basins, water bodies and catchments and finally to empower and support communities in the various areas of jurisdiction. The RDAs were very instrumental in ensuring rapid economic growth after their inception contributing to the country's GDP growth. However, challenges emerged such as limited funding that raised questions on the sustainability of the RDAs. With limited resources in not been left out. There is need for them to optimize the resources allocated to them and this means that they must have sound corporate governance practices in place.

Good Corporate Governance today necessitates not only the disclosure of the operating results but also the transparency of the objectives and policies or ownership and management structure of the companies, as a more dynamic process. State corporations have legal capacity to contract debts and other liabilities to finance their requirements. These loans are yet to be paid to the lenders by the corporation, or indeed by Government of Kenya in cases where the corporation has defaulted and Government of Kenya guarantee called up. For TARDA, Government of Kenya as at 30th June 2013 had repaid Ksh.3.44 billion comprising Ksh.2.34 in principal repayment and Ksh.1.1 billion in interest. Consequently, the amount refundable by TARDA to Government of Kenya as at 30th June 2013 was Ksh.3.44 billion plus penalties amounting to Ksh.7.7 billion. Hence TARDA owed Government of Kenya a total amount of Ksh.11.14 billion in respect of this explicitly guaranteed debt as at 30th June 2013. From time to time Treasury carries out loan restructuring of individual state corporations involving conversion of debt to equity (to the extent that the corporation's assets support) or debt write-off and subsequent discharge of corporations' obligation to repay or a combination of both

Statement of the Problem

The various global corporate governance failures in the last 10 years and the global financial crisis have put pressure on boards to live up to their responsibilities. Most countries in the world, including emerging markets, had to take stock of how they fared, Christopher (2012). Many Kenyan parastatals have had major performance challenges. Three regional authorities-Coast, Ewaso Ngiro and Kerio Valley-have Sh57 billion stalled projects (GoK, 2019). The Auditor-General, in a report tabled in Parliament in October last year, questioned the delay in completing four irrigation projects initiated by Kerio Valley Development Authority, Aror irrigation scheme and Tot irrigation project. After more than Sh300 billion set aside by Jubilee government for water projects across the country, there is little to show on the ground as project delays, financing hitches and lethargy of contractors derail the dream. This is partly due to dwindling resource base and growing need for public services (GoK, 2013). Therefore organizational resources moderated by corporate governance could be a recipe for better performance. Regional development Authorities were established to fulfill social objectives of the state and therefore the government supports its agencies through funding and training of Board of Directors on good Corporate Governance so as to achieve this objective. However, the number of institutions that continue to collapse in quick succession is alarming. Thus making the regional authorities unable to achieve their target performance.

There have been a number of studies on organizational resources on organizational performance although with mixed outcome. Some studies indicating no significant influence (Lee, 2009), other negative (Mwai et al., 2018) other positive influence (Ongeti, 2014). Sulaiman (2016) established that financial resource do not significantly influence firm performance contradicting previous numerous studies living a gap. These contradictions in findings have created aspersions on the relationship between organization resources and performance. Existing studies have provided evidence that introduction of moderating variables, has resulted to establish a definite relationship between organizational

resources and performance yet few studies have examined moderating influence of corporate governance. However, some studies have indicated negative moderating effect (Juma, 2012), non-significant (Love and Rachinsky, 2015) and positive moderating effect (Muturi et al., 2017) of corporate governance. This leaves a significant knowledge gaps on the relationship between organizational resources, corporate governance and organizational performance.

Objectives of the study

The specific objectives of this study were to;

- Establish the influence of organizational resources on performance of regional development authorities in Kenya.
- Determine the influence of corporate governance on the relationship between organizational resources and performance of regional development authorities in Kenya.

The study was guided by the following research hypotheses;

- $\mathbf{H_{01:}}$ Organizational resources have no significant influence on the performance of regional development authorities in Kenya.
- $\mathbf{H_{02:}}$ Corporate governance has no significant moderating effect on the relationship between organizational resources and performance of regional development authorities in Kenya.

LITERATURE REVIEW

Stewardship Theory

The stewardship theory was developed by Donaldson and Davis in 1991 and advanced in 1993. The theory states that if managers are left on their own, they will execute their roles as responsible stewards of the assets they control and to the interest of the stakeholders. The theory further states that, interests of shareholders are maximized by shared incumbency of roles of the persons in management or leadership of a corporate entity (Donaldson & Davis, 1991). The stewardship holds that ownership does not necessarily mean owning a firm; rather it is merely holding it in trust. Stewardship theory is one of the leading theories of corporate governance (Donaldson & Davis, 1991).

Stewardship theory argues that the managers or executives of a company are stewards of the owners, and both groups share common goals. The board should play a supportive role by empowering executives and, in turn, increase the potential for higher performance (Shen, 2003). This theory can also be applied in the liberalist sense for its promise to better service the interests of shareholder. The theoretical underpinning is normative based on the belief that the directors to whom authority is delegated will exercise stewardship. The executive and directors should be provided with extrinsic motivational factors such as elaborate compensation policies and incentive plans.

According to Barney Klöckner (2009), the stipulations of the stewardship theory hold that executive manager purposes to do a good job and be a good steward of the corporate assets. Thus the theory posits that there is no inherent and general problem of executive motivation. Stewardship theory emphasizes on the importance of corporate leadership structures. The theory holds that performance variations result from whether the structural situation in which the executive is located facilitates effective action by the leaders or executives. The arising issue is whether or not the organization structure facilitates the executive to formulate and implement plans for high corporate performance (Donaldson, 1985). In this regard, organization resources are bound to facilitate the achievement of the foregoing goal to the extent that they provide clear, consistent role expectations and also authorize and empower senior management (Donaldson & Davis, 1991).

The Stewardship Theory emerged as an alternative to Agency Theory in the field of corporate governance (Van Slyke, 2006). It is, therefore, understandable that the basic assumptions are defined distinctive to the Agency Theory assumptions. In the agency relationship, the emphasis is on building institutional and contractual mechanisms so that managers cannot achieve their

own goals at the expense of shareholders (Joslin & Müller, 2016). The Stewardship Theory rejects the assumptions of Agency Theory and suggests that managers' behaviour is pro-organizational and collective, achieving higher utility by serving an organization. It further assumes that managers left on their own will act as responsible stewards of the assets that they control (Heenetigala, 2011).

Even though there are various theories on corporate governance such as agency theory, stakeholder theory, Resource Dependency Theory, Transaction Cost Theory and Political Theory, this study found stewardship theory most applicable as it describes the role of board and management in achieving corporate performance. Stewardship theory argues that the effective control held by professional managers empowers them to maximize firm performance and corporate profits. The Stewardship Theory links superior organizational performance to having better management of resources by the management. These executive directors are assumed to better understand business, and make superior decisions concerning organizational resources (Grace, Vincent & Evans, 2018). The executive management is preferred for their professionalism, technical expertise, and commitment to the organization (Letting, 2011).

In regard to the role of the RDAs management, organizational resources will assist the management to attain superior performance by their corporate entities to the extent that the leaders or top managers exercise complete authority over the corporation and that their role is unambiguous and unchallenged. This implies that the stewardship theory is concerned not with motivation of management but instead facilitative and management of organizational resources (Donaldson & Davis, 1991). This theory underscores the importance of stewardship in organizational resources and corporate governance in regional development authorities. This theory was used by Gaturu (2018) to link superior organizational performance and corporate governances as well as alternative to Agency Theory in organizational resources management.

Resource-Based View Theory

The resource based view of the firm is an influential theoretical framework for understanding how competitive advantage within firms through resources is achieved and how that advantage might be sustained over time (Barney, 1991; Penrose, 1959; Peteraf, 1993; Hitt, Ireland and Hoskisson, 2011; Pearce et al, 2012). The basic argument of this theory is that different types of resources possessed by a firm can have a significant influence on its performance. Variations in resources across firms will on the other hand, lead to differences in performance.

In evaluating the reasons behind the superior performance of organization, two alternative views exist side by side in strategic management discourse. These include the market based view of the firm, and the resource based view of the firm. The market based view of the firm is based on the structure-conduct-performance (SCP) paradigm of industrial organisation economics, and attributes above-normal returns to the structure of the market. In contrast, the resource- based view locates a firm's competitive advantage, and the resulting superior performance, to a set of rare, valuable, non-substitutable, and inimitable assets which the firm possesses (Wills-Johnson, 2008; Bain, 1959). Therefore, possession of unique resources is a source of superior performance.

The basic argument of RBV is that organization performance is determined by the resources it owns. An organization with more valuable scarce resources is more likely to generate sustainable competitive advantages. In a recent study, in strategic management, Crook et al. (2008) argued that RBV "has emerged as a key perspective guiding inquiry into the determinants of organizational performance". The resource based view theory was used in this study to explain the importance of financial resources (Brush, & Brown, 2015). Stacey (2011) advanced for the use of the framework by stating that financial resources enable organizations

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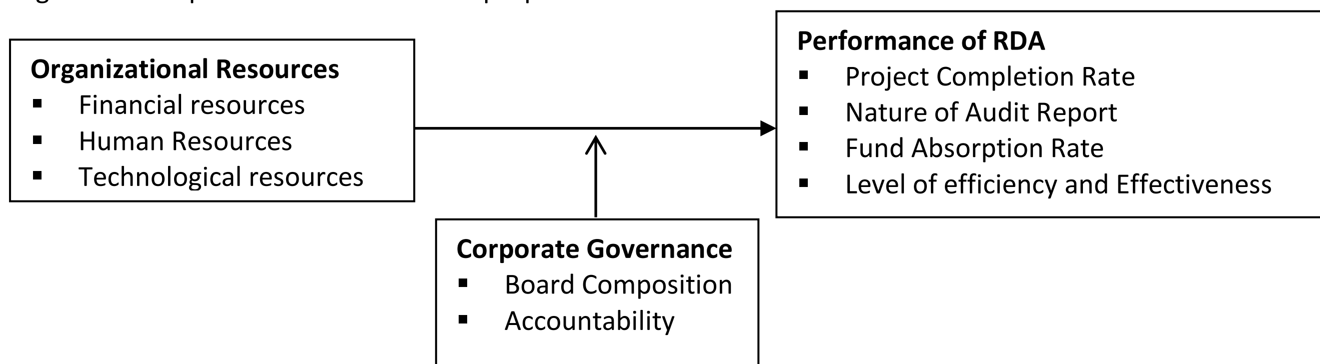
to acquire other resources. According to RBV, businesses achieve sustainable competitive advantage when they effectively manage the resources owned or obtained (Barney & Hesterly, 2012). As applied to the study, the RBV provides the conceptual lens to understand how obtaining financial resources may contribute to the organization performance. The application of the RBV may be helpful in letting participants identify what strategies needed to obtain financing that could help achieve superior organizational performance (Gillis et al. 2014).

The current study attempts to shade more light on relationship of financial resources and organizational performance. The main propositions of this theory that resources possessed by an organization have an influence to its performance were the anchoring postulation of this study. Resource based theory explains that resources such as human resources, technological resources and financial resources are necessary components for business success and survival of the firm. Financial resources are also equally important in any organizational undertaking. Technological resources have come equally important in organization performance. Thus lack of resources in either of these key areas can hamper an organizational ability to meet it performance objectives. Therefore, this theory will be instrumental in examining organizational resources at RDAs.



Independent Variable **Moderating Variable** **Dependent Variable**

Figure 1: Conceptual Framework

To conceptualize organizational resources, the study used three indicators, financial resources, technological resources and human resources. The moderating variable was corporate governance which was measured using board composition and accountability. Lastly, dependent variable which is performance of regional development authority was conceptualized as project completion rate, nature of audit report, fund absorption rate, level of efficiency and effectiveness.

Empirical Review

Hamdan, Buallay & Alareeni (2017) examined the moderating role of corporate governance on the interaction between intellectual capital efficiency and financial, operational and market performance. The study used a pooled data of 171 firms listed on the Saudi Stock Exchange during the period from 2012 to 2014. Multiple regression approach was incorporated under fixed-effect method. The findings revealed that the inclusion of corporate governance as a moderating variable has influenced positively the relationship between intellectual capital components and financial, operational and market performance. The influence of moderating variable was limited only to human resources (intellectual capital efficiency). The current study investigated moderation effect of corporate governance on performance and organizational resources which was limited to human resource but also financial and technological resources.

Hsu, Wang, Tsai & Lu (2012) explored the moderating and mediating roles of corporate governance on the relationship between Chief

Executive Officer (CEO) duality and firm performance. The findings, based on a sample of 1,974 publicly listed firms in Taiwan, provide robust support for the mediating model. The effect of CEO duality on firm performance shrinks upon the addition of independent directors to the model. The results do not, however, support the moderating model. The study did not adequately consider the role of corporate governance in studying the association between chief executive officer duality and firm performance. The current study examined the moderating role of corporate governance under board structure and accountability on the influence of organizational resources on organizational performance.

Juma (2010) focused on the moderating influence of corporate governance on the relation between capital structure and firm value, of firms quoted at the Nairobi Stock Exchange (NSE). Cross-sectional descriptive survey design was used. The population comprised 33 quoted companies on the NSE from year 2005 to 2009. Both primary and secondary data were used for this study. This study employed basic ordinary least square (OLS) regression which is fairly standard in exploring relationships between two sets of variables such as firm value and leverage, firm value and ownership, and leverage and ownership. The study found that all the corporate governance devices have influence on the firm value and capital structure as shown by the Tobin Q. The study failed to present both primary and secondary data as indicated in the methodology. The study limited itself to firms listed in NSE meaning that the findings were difficult to be generalized. The independent variable was capital structure. The current study used only primary data collected using questionnaire and interview schedule. The study used organizational resources as independent variables

Nurdin and Kasim (2017) focused on the investigation of moderating corporate governance and financial performance in relation dividend policy and its impact on the firm value in Indonesia Stock Exchange. This study used a survey with an explanatory approach method Moderated Regression Analysis (MRA) and 2 SLS with panel data. The method of estimation uses the Generalized Least Squares (GLS). This study uses secondary data manufacturing companies listed in Indonesia Stock Exchange, for the period of observation from 2006 until 2015. This study resulted in five empirical findings. First, a significant effect on the financial performance of dividend policy, second, corporate governance generally cannot moderate the relationship of financial performance and development policy dividends. Third, the financial performance of a significant effect on firm value, Fourth, corporate governance generally cannot moderate the relationship the firm value and the company's financial performance. Corporate governance was established to insignificant moderator besides firm value being was used as independent variable. The study relied on secondary data to arrive at its conclusion and the study limited itself to manufacturing companies listed in Indonesia Stock Exchange. The current study is designed either to support or dismiss the assertion of non-significant moderator of corporate governance. The study used organizational resources as independent variable. The study utilized primary data collected through semi-structured questionnaire.

Muturi, Mwau & Oloko (2017) investigated the influence of the growth strategies on the performance of firms in insurance industry in Kenya. The target population of the study was all the 5,188 insurance players in Kenya as on 2013. The study adopted a descriptive research design. A random stratified sampling was used to select 125 respondents. Data was collected using self-administered structured questionnaire as well as from the secondary sources. Study found that the growth strategies have positive influence on the performance of the insurance firms within the insurance industry in Kenya except the market development strategy. The moderating effect of the ownership structure was also noted to have a positive effect in the performance of the firm. The

use of ownership structure, under corporate governance was not used as moderating variable in the analysis but it was treated as independent variable. Therefore, there was no conclusion on the effect on ownership structure on the relationship between growth strategies and performance. The study limited itself to insurance companies. Only ownership structure was used as a component of the corporate governance unlike current study which used board composition and accountability as measure of corporate governance. The study also reported on the moderating influence of corporate governance.

METHODOLOGY

The study adopted explanatory research design which explores cause effect relationships. The study was carried out in six regional development authorities that cover all 47 counties in Kenya. The target population was 169 managerial staff in the RDAs which was categorized into chief managers, manager, head of departments and chief accountants. Stratified proportionate random sampling technique was used to select the sample. The study grouped the respondents into four strata i.e. chief managers, managers, heads of departments and chief accountants. From each stratum the study used simple random sampling to select 118 respondents from a target of 169. The study used Yamane (1973) formula to arrive at a sample of 118. The study utilized primary data collected using questionnaire and interviews. The relationship between level of the independent and dependent variables was measured using Structural Equation Modeling (SEM) which is best suited to analyze path for latent variables. These analyses were done using STATA version 14 and the quantitative data was presented in terms of tables and charts. The Structural equation modeling was done using the Analysis of Moment Structures (AMOS) software version 23.

FINDINGS AND DISCUSSIONS

The respondents were asked to indicate the level of agreement from strongly disagree (1) to strongly agree (5) in regard to corporate governance, organizational resources and performance. The results were as shown in Table 1.

Table 1: Descriptive statistics for Board Composition

	Board Composition	**Mean**	**Std. Error**	**Standard Deviation**
B1	Appointment of Board members has always considered a mix of skills required in the stewardship of the organization.	3.294	.0783	.7909
B2	Majority of board members are independent of management	3.333	.0907	.9156
B3	Each Board member's terms of engagement have been clearly defined	3.490	.0900	.9092
B4	There have been clear guidelines on the operations of the Board	3.265	.0800	.8075
B5	A member's academic qualifications have been considered before for appointment to the organization's Board	3.245	.0818	.8258
B6	All the Board committees have been relevant to the organization's mandate	3.039	.0913	.9219
B7	All Board members have had relevant industry experience required to steward the organization	2.892	.0667	.6735
B8	Responsibilities of the Board have been clearly defined	4.059	.0879	.8880
B9	Coordinating mechanisms have been in place to facilitate Board's proper functioning.	3.696	.0857	.8650
B10	The board has been composed of both gender	3.118	.0873	.8821

From Table 1, the appointment of Board members has fairly considered a mix of skills required in the stewardship of the RDAs (M=3.294, SD=0.7909). The insignificant deviation implies that all respondents were in agreement that appointment of Board members has to some extend considered a

mix of skills required in the stewardship of the RDAs. Majority of board members are fairly independent of management (M=3.333, SD=0.9156). The significant standard deviation implies that not RDA consists of board members who are independent of management. The results also revealed that each Board member's terms of engagement have been fairly defined (M=3.490, SD=.9092). The significant standard deviation implies that not all board members' terms of engagement have been clearly defined.

The results also revealed that there have been fair guidelines on the operations of the Board (M=3.265, SD=0.8075). From the standard deviation, there is some deviation from the mean implying that some board did not have clear guidelines on the board operation. Member's academic qualifications have been fairly considered before for appointment to the RDA's Board (M=3.245, SD=.8258). There is some deviation in regard to the consideration of academic qualification during appointment to RDAs Board. Similarly, all the Board committees have been fairly relevant to the organization's mandate (M=3.039, SD=0.9219). However, the significant standard deviation suggested that there is variation in terms of Board committees have been relevant to the organization's mandate. All Board members fairly have relevant industry experience required to steward the organization RDA (M=2.892, SD=.6735). There is some variation in regard to all Board members have had relevant industry experience required to steward the organization.

Responsibilities of the Board have been clearly defined (SD=4.059, SD=0.8880) although there is some variation in regard to this assertion. Similarly, coordinating mechanisms have been in place to facilitate Board's proper functioning (M=3.696, SD=0.8650). There is some variation in regard to coordinating mechanisms have been in place to facilitate Board's proper functioning. Lastly, respondents were fairly agreed that the board has been composed of both gender (M=3.118, SD=0.8821). There is some variation in terms of gender composition of the board.

The respondents were asked to indicate the level of agreement from strongly disagree (1) to strongly agree (5) in regard to accountability principle of corporate governance. The results are as shown in Table 2.

Table 2: Descriptive statistics for Accountability

	Accountability	**Mean**	**Std. Error**	**Standard Deviation**
A1	The accountability process is used as a means of assessing resource allocation	3.363	.0680	.6863
A2	Management provides adequate information when making accountability	3.402	.0579	.5846
A3	The board communicate with stakeholders at regular intervals, a fair, balanced and understandable assessment of how the RDA is achieving its goals	3.353	.0692	.6986
A4	There are well set internal controls to check the accountability process	3.431	.0661	.6676
A5	RDA submit themselves to appropriate external scrutiny for auditing	3.745	.0706	.7132

From Table 2, the RDA fairly emphases on the accountability of the funds disbursed to various projects (M=3.363, SD=0.6863). The insignificant deviation implies that there is fair emphasis on the accountability of the funds disbursed to various projects. Performance contracts have instilled a sense of accountability in the management of projects because it measures the extent to which target results have been achieved (M=3.333, SD=0.9156). The significant standard deviation

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implies that not all stakeholders have been involved in the appointment of the Board. The results also revealed that the board fairly communicate with stakeholders at regular intervals, a fair, balanced and understandable assessment of how the RDA is achieving its goals (M=3.353, SD=0.6986). From the standard deviation, there is small variation from this assertion.

The results also revealed the board is fairly accountable for project technical output (M=3.431, 0.6676). From the standard deviation, there is some deviation from the mean in regard to the board being accountable for project technical output. Lastly, respondents agreed that RDA submit themselves to appropriate external scrutiny for auditing (M=3.745, SD=0.7132). There is some variation in terms of RDAs submitting themselves to appropriate external scrutiny for auditing.

The respondents were asked to indicate the level of agreement from strongly disagree (1) to strongly agree (5) in regard to performance of RDAs. The results are as shown in Table 3.

Table 3: Descriptive statistics for Performance

	Performance	Mean	Std. Error	Standard Deviation
P1	RDA projects/tasks are implemented according to the set timelines	2.314	.0696	.7033
P2	RDA projects/tasks are implemented and evaluated according to set objectives	3.412	.0840	.8484
P3	RDA projects/tasks are implemented according to the cost/budget provisions	2.441	.0647	.6536
P4	RDA projects/tasks are implemented according to the set technical requirements	3.578	.0853	.8610
P5	RDA projects/tasks are implemented according to the intended quality standards	3.559	.0783	.7907
P6	There is parity on the share of actual expenditure out of the budgeted expenditure	3.294	.0705	.7118
P7	My organization has consistently obtained a clean bill of health after each financial audit reports	2.784	.0585	.5908

Source: Field Data (2019)

From Table 3, RDA projects/tasks are not implemented according to the set timelines (M=2.314, SD=0.7033). The insignificant deviation implies that all respondents were in agreement that RDA projects/tasks are implemented according to the set timelines. RDA projects/tasks are fairly implemented and evaluated according to set objectives (M=3.412, SD=0.8484). There was some variation in regard to RDA projects/tasks been implemented and evaluated according to set objectives. On the other hand, RDA projects/tasks are not implemented according to the cost/budget provisions (M=2.441, SD=.6536). From the standard deviation, it is evident that respondents confirmed that projects/tasks are not implemented according to the cost/budget provisions.

RDA projects/tasks are implemented according to the set technical requirements (M=3.578, SD=0.8610). However, there was some variation in regard to these assertions. Similarly, RDA projects/tasks are implemented according to the intended quality standards (M=3.559, SD=0.7907). From the standard deviation, it is evident that there are some variation in relation to RDA projects/tasks been implemented according to the intended quality standards. The results also revealed that there is some parity on the share of actual expenditure out of the budgeted expenditure (M=3.294, SD=0.7118). There is some variation in

regard to absorption rate. Lastly, RDAs have fairly obtained a clean bill of health after each financial audit reports (M=2.784, SD=0.5908). From the standard deviation, it is evident that there is some variation in regard to external audit reports.

Inferential Statistics

To determine the influence of corporate governance on the relationship between organizational resources and Performance, organizational resources was first regressed on Performance and the standardized regression coefficients (beta) examined to determine the size and direction of the relationship and whether it was statistically significant. If this relationship is not statistically significant, there can be no moderating effect.

The equation used to measure the moderating influence was:

$$Y=\beta_0+ \beta_1 X_1 Z +\beta_2 X_2 Z +\beta_3 X_3 Z + \varepsilon$$

Where X = Independent variables (Organizational Resources)

Z = Moderating variable (Corporate Governance)

Y = Performance

Finally, a regression analysis was performed and the betas examined for the strength, direction and significance of the relationship. In step one; organizational resources variables were entered into the model. In step two, the moderator variable in this case corporate governance was entered while in step three the interaction term between the moderator variable and organizational resources variables were entered. This is the cross product of CG and OR constructs. In each step the change in R square, F and significance level was noted. The relevant results are summarized in Table 4.

Table 4: Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.643[a]	.413	.407	.30031	.413	70.400	1	100	.000
2	.718[b]	.516	.506	.27424	.102	20.917	1	99	.000
3	.753[c]	.567	.554	.26043	.052	11.781	1	98	.001

a. Predictors: (Constant), Organization Resources

b. Predictors: (Constant), Organization Resources, Corporate Governance

c. Predictors: (Constant), Organization Resources, Corporate Governance, OR*CG

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.393	.393		1.002	.319
	Organization Resources	1.008	.120	.643	8.390	.000
2	(Constant)	-.618	.421		-1.467	.146
	Organization Resources	.713	.127	.455	5.608	.000
	Corporate Governance	.538	.118	.371	4.573	.000
3	(Constant)	-.785	.403		-1.948	.054
	Organization Resources	16.320	4.548	10.407	3.588	.001
	Corporate Governance	14.348	4.025	9.892	3.565	.001
	OR*CG	29.333	8.546	16.902	3.432	.001

a. Dependent Variable: Performance

The results in Table 4, in step 1, organizational resources explains 41.3% of the variation in performance (R^2 =.413, P=0.000). At step 2, Corporate governance, adds significantly to

performance as the variation increased from 41.3% (r^2=0.413) to 51.6% (r^2=0.516) indicating that R square changed by 10.2% (R^2 change= .102, P< .000). The results reveal that the variance explained by corporate governance is significant (F (1, 99) =20.917, p-value <.001). In step 3, it is clear that in model 3 with the interaction between corporate governance (CG) constructs and organizational resources (OR) accounted for significantly more variance than just CG and joint OR level by themselves, (R^2 change = .052, p = .000), indicating that there is potentially significant moderation of CG on the relationship between OR and performance (PF). Therefore, the results confirmed that corporate governance had a significant moderating influence on the relationship between organizational resources and the performance.

For regression coefficient, in step 1, after entering the organizational resources, it was found to have positive and significant predicative power (β=1.008, P<0.05). This implies that if organizational resources changes by one unit, the PF levels significantly changes by 1.008 units. In step 2, when corporate governance was entered in the model, it was found to have positive and significant predicative power (β=0.538, P<0.05). This implies that if corporate governance changes by one unit, the PF levels significantly changes by 0.538 units.

In step three, upon the introduction of the interaction term (cross-product between CG and OR constructs), OR and CG is still significant and their predictive power increases (B=0.705). The interaction term (OR*CG) was found to be significant. The results of model 3 therefore showed that corporate governance have a significant moderating effect on the relationship between organizational resources and RDA performance. These findings were also represented in the model equation as shown in below

$$PF=-0.785+16.320X_1+14.348Z_1+29.333X_1Z_1$$

Where PF is the performance (**Dependent Variable**)

X_1 is the Organizational resources (**Independent Variable**)

Z_2 is the board composition (**Moderating Variable**)

Structural Equation Modelling on the Moderating Influence of Corporate Governance

The analysis of the structural equation model is presented to show model fitness, path coefficients and the structural equation diagram. The model was fitted to achieve the objective of the study which was to investigate moderating effect of corporate governance on the relationship between organizational resources and performance. The fitted model was tested for goodness against the set cut-offs as shown in table 5.

Table 5: Goodness of fit statistics

Index	Model		Desired (good fit) threshold	Status
Chi-square	Statistic	545.941	p-value <0.05	Good fit
	P-value	0.000		
NFI		0.905	≥0.9	Good fit
CFI		0.938	≥0.9	Good fit
GFI		0.905	≥0.9	Good fit
SRMR		0.056	≤0.08	Good fit
RMSEA		0.064	≤0.08	Good fit
PGFI		0.647	≥0.5	Good fit
PNFI		0.624	≥0.5	Good fit

Source: Field Data (2017)

The model was found to meet all the fitness tests. It was found to be of good fitness based on both absolute and relative fitness tests. The traditional chi-square goodness of fit statistic was 545.941 with

a p-value of 0.000 which is less than 0.05 implying significant fitness at 0.05 level of significance. Both RMSEA and the SRMR were found to have values less than 0.08 as required while the GFI an absolute fit index and the comparative fit indices CFI and NFI were both found to have values greater than the required cut-off of 0.9. Figure 1 shows the path diagram for the structural equation model on the moderating influence of corporate governance on the relationship between organizational resources and performance in the model.

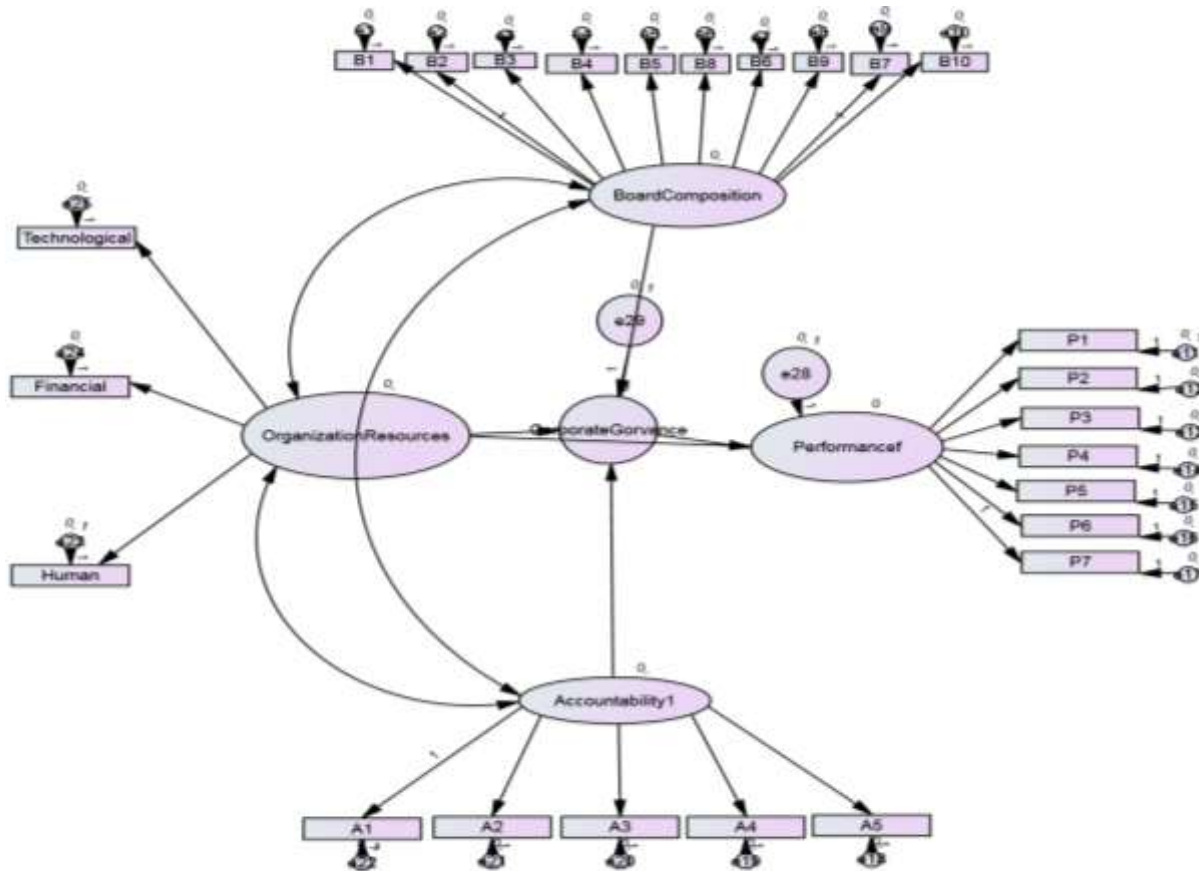

Figure 2: Path diagram for the model

The path coefficients of the estimated model were tested for significance to establish the significance of the corporate governance as a moderating variable Table 6 Presented the estimated path coefficients of the fitted model with the standard errors (S.E.), the critical ratios (C.R.) and the p-values of the CRs. SEM was fitted based on maximum likelihood estimation for a large sample therefore the critical ratios follow a standard normal distribution (Z-distribution) thus the p-values are determined considering the Z-distribution. The critical ratio following a standard normal distribution considers 1.96 as the critical point at 5% level of significance. All the variables studied were found to have significant influence on performance of regional development authorities in Kenya.

Table 6: Path coefficient estimates for model

Variable path			Estimate	S.E.	C.R.	P
CG	<---	OR	1.327	.297	4.473	***
PF	<---	CG	1.576	.309	5.104	***
PF	<---	OR	1.255	.291	4.312	***

Source: Field Data (2017)

From the results in the Table 6, it was found that the critical ratios for four variables were found to be greater than 1.96 implying significance at 5%. Therefore, the three hypothesized paths were supported. Organization resources (OR) with coefficient estimates (β=1.327, C.R =4.473) in regard to corporate governance (CG). This path was found to be significant. Similarly, CG with coefficient estimates (β=1.576, C.R =5.104) in regard to performance was found to significant. It is significant to note that this path originates from organizational resource through corporate governance. Therefore, corporate governance plays significant moderating role between organizational resources and performance. Lastly, organizational resources (OR) with coefficient estimates (β=1.255, C.R =4.312). From the path diagram, both organization resources have both direct and indirect effect on performance of regional development authorities.

These findings resonates well with Pelayo-Maciel, Calderón-Hernández and Serna-Gómez (2012) who identified that identify that the structure of corporate governance and distinctive capabilities of human resource are positively related to company performance but this does not explain the attitude steward of the CEO and collaboration systems. Ongeti (2014) established that the moderating role of ownership and board structures yielded to marginal enhancement of the explanatory power (10% and 10.7% respectively), although the moderation was not statistically significant.

Figure 3 shows a graphical presentation of the moderating effect of corporate governance on the relationship between performance and organizational resources. As shown, low levels of corporate governance show a gradual slope which is due to the existence of a causal relationship between organizational resources and performance. Increasing the levels of corporate governance shows an increase in the slope of the curve between organizational resources and performance. The slope keeps increasing at higher levels of corporate governance implying that increasing the levels of corporate governance has a positive moderating effect which increases the strength of the causal relationship between organizational resources and performance.

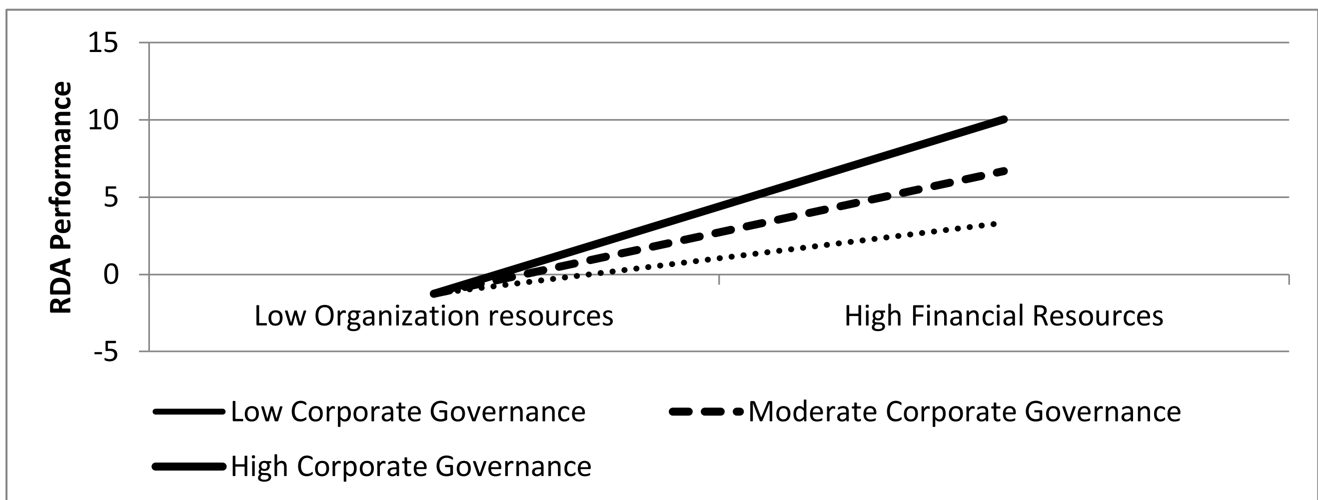

Figure 3: Moderating effect of Corporate Governance on Organizational resources and performance

The findings have various corporate governance theories connotations although the study used stewardship theory. The board should play a supportive role by empowering executives and, in turn, increase the potential for higher performance. It further assumes that managers left on their own will act as responsible stewards of the assets that they control (Heenetigala, 2011). The Stewardship Theory links superior organizational performance to having better management of resources by the management. Therefore, the board composition with right relevant industry experience, academic

qualification and board independence would ensure that RDAs are able to acquire required organizational resources that would ensure RDA performance objective are achieved. On the other hand, stewardship theory relate to the accountability principles are the board and the management are required to be accountable on the utilization of organization resources.

These findings are in agreement with Hamdan, Buallay & Alareeni (2017) who revealed that the inclusion of corporate governance as a moderating variable has influenced positively the relationship between intellectual capital components and financial, operational and market performance. The influence of moderating variable was limited only to human resources (intellectual capital efficiency). Similar results were reported by Juma (2010) who found that all the corporate governance devices have influence on the firm value and financial resources as shown by the Tobin Q.

CONCLUSION AND RECOMMENDATION

The study concluded that corporate governance has significant moderating effect on the influence of organizational resources on regional development authorities' performance. This implies that corporate governance have significant influence over and above organizational resources on RDA performance. This implies that corporate governance would results increase in the effect of organizational resources on performance of RDA. Board accountability is about taking responsibility for all of a company's activities and presenting a fair, balanced and understandable assessment of an organisation's position and prospects to stakeholders. Accountability process is fairly used as a means of assessing resource allocation to various projects undertaken by the RDAs. The board fairly communicates with stakeholders at regular intervals, a fair, balanced and understandable assessment of how the RDA is achieving its goals. It was evident to ensure accountability of the funds disbursed from the parent ministry, RDA submit themselves to appropriate external scrutiny for auditing.

Therefore, the study recommends that the regional authority board need to cultivate the culture of accountability in the management of regional development authority. This can be achieved by ensuring that they have internal checks and control to ensure resources are utilized according to the intent purpose as well as submitting themselves to external scrutiny for auditing. The study also recommended that regional development board should compose of members with mix skills, appropriate academic qualification and relevant industry experience so to provide stewardship of the organizational resources. The board should also have majority of member independent of management so that they do not have influence on human resources and technological resources procurement as their involvement may results to procurement of resources for their own self-interest.

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